

Message Text

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PAGE 01 LAGOS 10085 151154Z

ACTION AF-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 048
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PASS MEPD AND SIPS

E.O. 11652: N/A
TAGS: ENRG, ETRD, BENC, NI
SUBJECT: FMG OIL BARTER

REF: LAGOS 7548

1. S.A. OGUNLEYE, BUDGET DIRECTOR, MIN. FINANCE TOLD PETROLOFF THAT OIL BATTERS ARE NOW HIGH PRIORITY WITH FMG AND THAT SOME HAVE BEEN CONSUMATED WITH PRIVATE COMPANIES OPERATING IN NIGERIA. THOUGH HE DID NOT HAVE SPECIFIC INFORMATION ON WHICH COMPANIES WERE INVOLVED, HE NOTED THAT THE COMPANIES VOLUNTEERED TO TAKE OIL IN PAYMENT ON CONTRACTS WHICH WERE UNDERWAY. A BRIT HICOMM OFFICIAL TOLD PETROLOFF THAT THE GERMAN BASED JULIUS BERGER, ONE OF THE LARGEST CONSTRUCTION OUTFITS IN NIGERIA, HAD AGREED TO TAKE 400,000 TONS OF CRUDE BEFORE THE END OF 1978 IN PAYMENT FOR ITS WORK.

2. OGUNLEYE SAID THAT A COMPANY WISHING TO TAKE OIL IN EXCHANGE FOR GOODS OR SERVICES SHOULD MAKE THIS KNOWN TO THE EXECUTING
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PAGE 02 LAGOS 10085 151154Z

AGENCY OF THE FMG. THE EXECUTING AGENCY SHOULD ONLY CONSIDER BARTER ON CONTRACTS UNDERWAY OR LISTED IN THE DEVELOPMENT PLAN. HE EMPHASIZED THAT CONTRACT AWARDS WILL BE QUOTE ON BASIS OF MERIT UNQUOTE AND THAT METHOD OF FINANCING INCLUDING OIL BARTER WILL BE ONLY A SECONDARY CONSIDERATION.

3. IF AN EXECUTING AGENCY RECOMMENDS A CONTRACT TO BE BARTERED

FOR OIL, TERMS MUST BE FINALIZED WITH MIN FINANCE AND NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC). THESE AGENCIES ARE MEMBERS OF THE OIL BARTER SUBCOMMITTEE OF THE ECONOMIC AND FINANCE COMMITTEE WHICH MUST APPROVE ALL CONTRACTS BEFORE THEY REACH THE FEDERAL EXECUTIVE COUNCIL. BOTH SUBCOMMITTEE AND COMMITTEE ARE CHAIRED BY SHEHU MUSA, PERMSEC FINANCE. REP FOR NNPC IS MANAGING DIRECTOR, F.R.A. MARINHO. ACCORDING TO OGUNLEYE, CRUDE PRICE SHOULD BE NO BETTER THAN THAT GIVEN TO NORMAL CUSTOMERS AND THE BARTER SHOULD NOT DISPLACE AN EXISTING CUSTOMER.

4. EMBASSY WILL SEEK TO DETERMINE SPECIFIC TERMS OF REPRESENTATIVE CONTRACTS.
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